



**Office of Audit Services**  
P.O. Box 942701  
Sacramento, CA 94229-2701  
Telecommunications Device for the Deaf - (916) 795-3240  
(916) 795-0900, FAX (916) 795-4023

November 15, 2005

### **AGENDA ITEM 3**

**TO: MEMBERS OF THE FINANCE COMMITTEE**

- I. SUBJECT:** Draft Audited Financial Statements
- II. PROGRAM:** Audits
- III. RECOMMENDATION:** The Finance Committee recommends to the Board of Administration acceptance of the draft audit report on the basic financial statements, as audited by Deloitte & Touche, LLP for the year ending June 30, 2005 and direct staff to forward the audited financial statements to the appropriate entities listed in the agenda item.
- IV. ANALYSIS:**

Pursuant to Section 20228 of the Government Code the Board of Administration's independent financial statement auditor, Deloitte & Touche LLP, completed its audit of the basic financial statements for the year ending June 30, 2005. A draft copy of the audit report and financial statements were provided to the State Controller's Office and the Bureau of State Audits on November 2, 2005. A draft copy of the Basic Financial Statements is attached to this agenda item, as Attachment A, for the Committee's review and comment.

During the audit, management makes both written and oral representations to the independent auditor in response to specific inquiries or through the financial statements. Representation letters acknowledge management's responsibility for the basic financial statements, confirm representations given to the auditor, and reduce the possibility of any misunderstanding between management and the auditor. In connection with the audit and consistent with auditing standards, the independent financial statement auditor received a Management Representation Letter and a Legal Representation Letter from CalPERS. A copy of the representation letters are provided as Attachment B and C of this agenda item, respectively.

The Office of Audit Services manages the independent auditor contract and facilitates the audit process. In preparing the audit report on these financial statements, Deloitte & Touche LLP fulfills its responsibility by expressing an opinion on these financial statements based on its audit.

The audit report is considered a draft until Deloitte & Touche LLP performs a final review and signs the report. The signed report and financial statements will be distributed to the Board of Administration. The audit report and financial statements will also be distributed to the Governor, the Secretary of the Senate, the Legislature, the State Controller's Office, the Bureau of State Audits and other interested parties.

**V. STRATEGIC PLAN:**

This item is not a specific product of the Strategic Plan, but it is part of the ongoing work of the Office of Audit Services.

**VI. RESULTS/COSTS:**

Acceptance and publication of the audited financial statement fulfills the Board's responsibility for procuring an independent audit under Section 20228 of the Government Code. There are no added costs from this agenda item.

Fiscal Services will provide the Committee an overview of the Basic Financial Statements. Additionally, representatives of Deloitte & Touche LLP are available to present their audit opinion and answer questions posed by Committee members.

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Larry Jensen, Chief  
Office of Audit Services

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Russell Fong, Chief  
Fiscal Services Division

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CURTIS HOWARD  
Assistant Executive Officer  
Administrative Services

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PETER H. MIXON  
General Counsel

## AGENDA ITEM 3

### DRAFT AUDITED FINANCIAL STATEMENTS

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### MANAGEMENT REPRESENTATION LETTER

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### LEGAL REPRESENTATION LETTER